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Classified By: Ambassador William T. Monroe. Reason: 1.4 (b)(d)

11. (C) We warmly welcome your November 11-12 visit to Manama for the Forum for the Future meeting. The Bahraini leadership, which values its relationship with the United States and yearns for more high-level engagement, looks forward to receiving you here. This will be your first opportunity to meet newly-appointed Foreign Minister Shaikh Khalid, and you will meet with King Hamid after the Forum. Although Bahrain fully supports our effort in Iraq, the King's recent letter to the President asking for an envoy to come to Bahrain reflects anxiety that developments in Iraq, especially Iranian involvement and Shia empowerment, could have an adverse impact on this side of the Gulf. Ahmadinejad's recent belligerent comments have only added to that anxiety.

12. (C) In this context, the King greatly appreciates USG friendship, and the security afforded by the U.S. Naval presence here (the Fifth Fleet/Navy Central Command has its headquarters in Bahrain). Bahrain hopes early U.S. ratification of the Free Trade Agreement will strengthen ties and boost an economy that does not benefit from the rich oil/gas resources of its neighbors. Bahrain's relationship with the U.S. has come under some criticism from certain elements of the Bahraini public recently, most notably for Bahrain's decision to close its Israeli boycott office under USG FTA-related pressure, and as a result of continuing press reports of allegations of mistreatment of Bahraini detainees at Guantanamo. Increased media and parliamentary criticisms of the U.S. are, ironically, a by-product of the King's political reforms. These reforms, while criticized by Shia opposition as insufficient, will receive a boost if, as expected, the main Shia opposition society, which boycotted the last election, decides to participate in next fall's parliamentary vote. Still, finding a way to satisfy Bahrain's Shia majority and gain its support for the King's reforms will remain an overriding challenge for the Government of Bahrain in the coming years.

13. (S) Key Issues:

-- Iraq: Iraq is a major concern for Bahrain, and it is the reason behind King Hamid's recent request for discussions with a U.S. presidential envoy. The King has been fully supportive of the U.S./coalition effort in Iraq, although he does look at it through the prism of a country with a Sunni royal family and a Shia majority population. Bahraini leaders have noted that Bahrain sits on the Sunni-Shia sectarian divide, and worry that a rise in sectarian strife, or even consciousness, in Iraq can influence attitudes in Bahrain. Moreover, Bahraini officials regularly express concern about Iranian inroads in Southern Iraq. Still, Bahrain remains steadfastly supportive and is ready to be helpful, although it lacks the financial resources to be a major donor. Regionally, it participates in meetings of Iraq's neighbors. Plans to upgrade its diplomatic representation in Iraq were put on hold when Bahrain's long-serving Charge d'Affaires, who had been extremely helpful to U.S. officials in Baghdad, was wounded in July in a kidnapping attempt just as he was about to be named Ambassador. In his meeting with you, the King will reaffirm his support for U.S. policy, while welcoming an opportunity to give his perspective from the Gulf.

-- Iran: Bahrain, with its Shia majority population, has traditionally worried more about Iran than Iraq. Although Iran has been less active in Bahrain's domestic affairs in recent years, it is widely believed to have helped fuel violent Shia opposition activities in the 1990s, and the government remains wary of Iranian intentions here. Earlier this year, the government expressed concern when Shia marchers displayed pictures of Khomeini and Khamenei during Ashura processions. The election of Ahmadinejad touched off new alarm bells, raising concerns that his government will be more aggressive towards smaller Gulf countries like Bahrain. Bahraini officials blamed a reappearance of Khomeini/Khamenei placards during last month's Al-Quds Day demonstration on Ahmadinejad's recent comments on Israel. King Hamid shares our concerns about Iran's nuclear program, recognizing the danger it poses for the Gulf, but strongly hopes that military action will not be necessary -- both because of its impact on Bahrain's Shia majority and because Bahrain would

be a prime location for Iranian retaliation.

-- Free Trade Agreement: Bahrain views the FTA it signed with the U.S. in 2004 as an important symbol of its close ties with the U.S., and a significant element in its effort to develop and transform its economy, which does not benefit from the oil riches of its neighbors. Bahrain shrugged off harsh criticism by Saudi Arabia for its decision to move forward on the FTA while the Saudi WTO accession languished, and in fact Bahrain's determination to press ahead helped rejuvenate Saudi accession talks. Bahrain's parliament ratified the FTA nearly unanimously in July, although Bahrain's subsequent decision to close down its Israeli boycott office under USG pressure in order to help secure Congressional ratification has generated sharp parliamentary and public criticism. U.S. ratification is currently hinged on agreement on a few remaining labor issues, which are under discussion. Failure to ratify the FTA before Congress recesses -- and thus effectively postponing implementation until 2007 -- would be a major disappointment for the Bahrain Government.

-- Guantanamo Detainees: The big story in Bahrain this week has been the return of three of six Bahraini detainees held at Guantanamo. Since they were first taken to Guantanamo some four years ago, the detainees have not been a big issue in U.S.-Bahrain relations, and the government had not pressed hard for their return. Recently, however, the issue took on a higher profile as parliamentarians, human rights activists, and others pressed for their return and criticized the government for its ineffectiveness in securing agreement from Bahrain's close friend and ally to bring them home. Press reports of torture allegations and suicide attempts by one Bahraini detainee and a hunger strike by another put the government further on the defensive. The November 5 transfer of the three detainees will alleviate some of the pressure, although focus will now shift to the three still there (who include the high-profile suicide case and the hunger striker).

-- Counterterrorism: Bahrain's mishandling of six Sunni terror suspects in the summer of 2004 generated concern in Washington about Bahrain's resolve in confronting Sunni terrorism and precipitated the withdrawal of all U.S. Navy dependents (some 1,000) from Bahrain. Since then, the government has shown greater determination to deal with, and cooperate on, our CT concerns. While the Sunni terror suspects remain free and in legal limbo as the constitutionality of the charges against them is considered, the government has attempted to keep them under surveillance, and has improved cooperation in other areas, critical as we deal with Sunni extremist networks on island. In a hopefully positive sign, the King recently appointed former Ambassador to the U.S. Shaikh Khalifa as head of the Bahrain National Security Agency. The Minister of Interior is seeking USG assistance in helping Bahrain stand up a new Joint Counterterrorism Center. Passage of a new anti-terrorism law, which would facilitate terrorism prosecutions, is stalled in the parliament, in part on human rights concerns that it would revive aspects of the now defunct internal security act, which was used in the 1990s to crack down on Shia protesters. A well-regulated banking system facilitates cooperation on terror financing, although enforcement remains a concern.

-- Political Reform: King Hamid is proud that Bahrain has been a leader in introducing political reform in the Gulf, and greatly appreciates public USG recognition of his efforts. That said, political reform in Bahrain is a work in progress. Bahrain's Shia have long been disgruntled by political and economic inequalities in Bahrain, and Bahrain's main Shia political society -- Al-Wifaq -- boycotted the 2002 parliamentary elections, contending that the political structure put in place denied them the ability to compete fairly. Principal concerns were an appointed upper house, which could block measures by the elected lower house, and gerrymandering, which overrepresented the Sunni minority. The King has argued that these measures were necessary to protect the rights of the minority in the short term, and that any changes could and should be made inside the parliament. In the meantime, the parliament itself has started to play a more meaningful role, most notably in the budget process and in bringing accountability to the government and its ministers. Al-Wifaq, apparently calculating that it can be more effective inside the parliament and unable to make the King budge on reforms outside the parliamentary process, appears to have decided to participate in the 2007 elections, and will announce its decision on participation in January. More extreme elements in Al-Wifaq, who have been aggressive in leading protests and demonstrations against the government over the past year -- mostly over the issue of unemployment, which effects Shia disproportionately -- oppose any move towards participation, have broken away from Al-Wifaq, and can be expected to continue demonstrating against the government. The USG has been active in promoting democratic reform in Bahrain with MEPI programs, most notably through NDI, which has an office

in Bahrain and has worked to reach out to all elements in Bahrain. Among NDI's programs has been promotion of women's participation in the electoral process, something that has the support of the Royal Court.

14. C) Key points to make in your meeting with the King:

-- Thank the King for Bahrain's active participation in the G8/BMENA reform initiative, and for stepping up and volunteering to co-host the second meeting of the Forum for the Future. Note in particular the hard work of the Foreign Minister and his team in organizing this major event, and brief the King on key results of this Forum, including the Foundation for the Future.

-- Recognize the long history of cooperation between our two countries, as reflected in Bahrain's status as a Non-NATO Major Ally and the support Bahrain provides for our U.S. Navy presence in the region. Thank the King for Bahrain's support for OEF, OIF, and U.S. policy in Iraq.

-- Brief the King on the latest developments in Iraq, and solicit his views on the situation there as seen from the Gulf.

-- Brief the King on Iran.

-- Commend the King's steps on political and economic reform, and encourage Bahrain to continue on this path of reform.

-- Commend Bahrain for its decision to be the first in the Gulf to negotiate a Free Trade Agreement with the U.S., and pledge full Administration backing for U.S. ratification of the FTA as soon as possible.

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